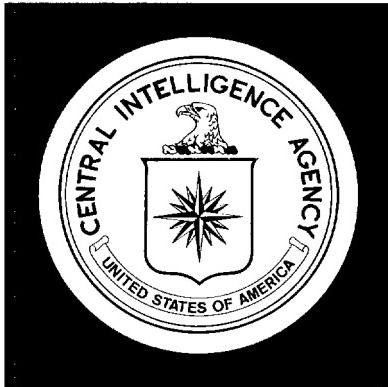


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DIRECTORATE OF  
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# *Central Intelligence Bulletin*

## *CONTENTS*

SOUTH VIETNAM: Heavy fighting in the northern provinces. (Page 1)

25X1

USSR: Speeches on anniversary of revolution praise detente with West. (Page 4)

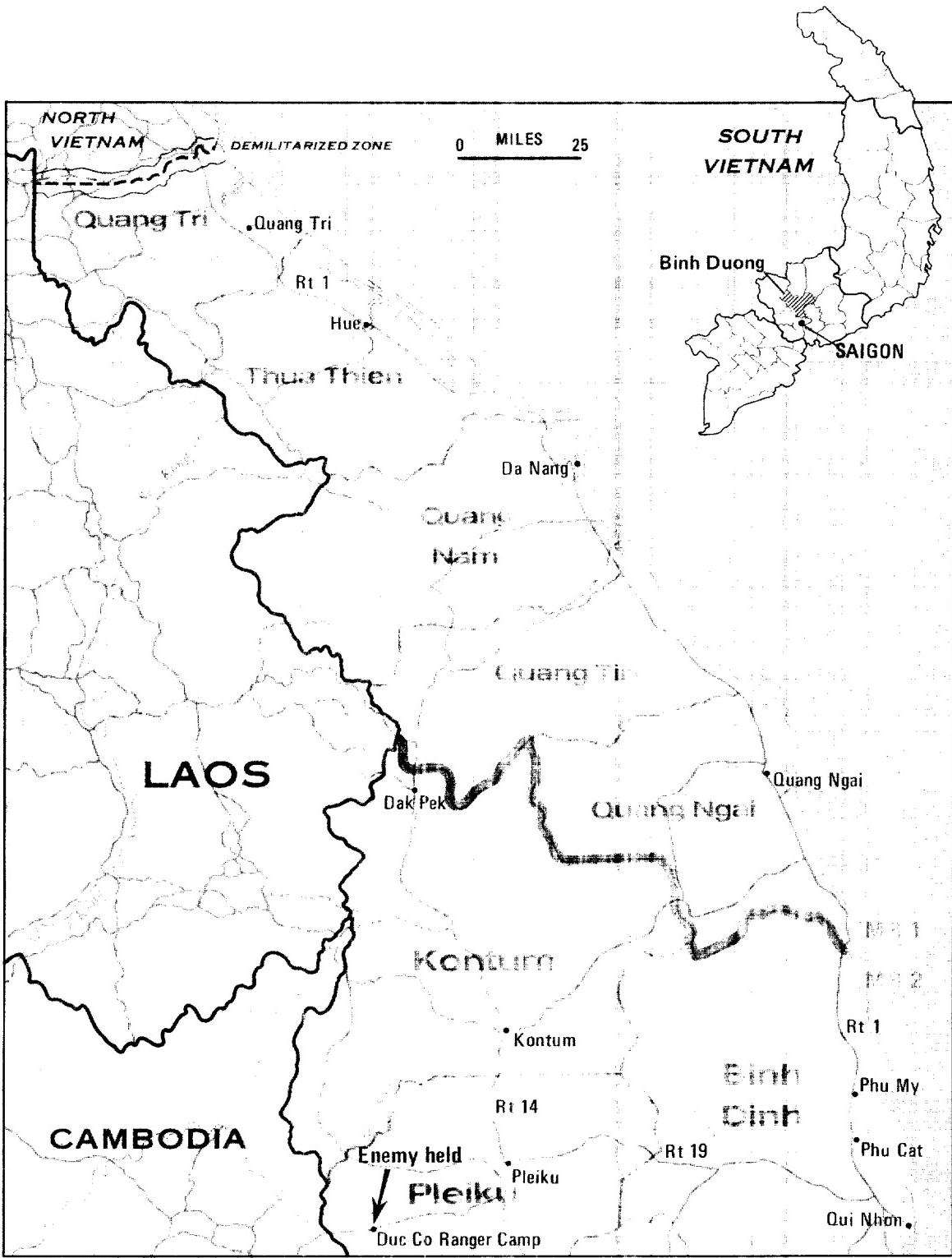
UK: Freeze on wages and prices. (Page 6)

UGANDA: Amin likely to make British next scapegoat. (Page 8)

EAST GERMANY: Britain and France lay groundwork for recognition of Pankow. (Page 9)

TURKEY: Republican People's Party's withdrawal of support unlikely to cause crisis. (Page 10)

NATO: Joint offer to buy US Lance missiles (Page 11)



553788 11-72

**SOUTH VIETNAM:** Heavy military action is currently confined to the northern half of the country, while enemy activity in the southern half has continued at a reduced level for more than a week.

In the northern provinces, enemy gunners have maintained fairly constant pressure on South Vietnamese Marine units around Quang Tri City in anticipation of further government attempts to recapture territory west of the city. The Communists fired almost 2,000 artillery rounds in the area on 5 November, the highest number in several weeks. Enemy units are still threatening some district towns in Quang Nam and Quang Tin provinces, but they have given ground to South Vietnamese counterattacks.

25X1  
[redacted] the Communists may carry out further shelling of Da Nang sometime between now and 10 November.

In the central highlands, heavy fighting has been reported around the recently abandoned Ranger camp at Duc Co in Pleiku Province. Government reinforcements brought into the area reportedly have encountered stiff opposition and several units have been forced to withdraw. Recently, enemy gunners hit Kontum City with 130-mm. artillery fire, the first time the Communists have used this heavy artillery piece in the highlands theater. Enemy forces have successfully interdicted Route 14 between Kontum and Pleiku cities and harassed traffic along Route 1 on the coast and on Route 19 from the coast into the highlands.

Fighting in the southern half of the country has continued at a reduced rate since 29 October. Three hamlets in Binh Duong Province remain contested but the other 20-odd that had fallen to the enemy have been recaptured by government troops.  
[redacted]

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Approved For Release 2003/10/22 : CIA-RDP79T00975A023100090001-5

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USSR: The Soviet leadership used the traditional speech on the anniversary of the Bolshevik Revolution to emphasize its accomplishments in developing better relations with the West.

The international affairs portion of the speech, delivered this year by Politburo member and First Deputy Premier Mazurov, placed considerably greater stress on the positive aspects of East-West relations than did last year's speech. Mazurov gave pride of place to the agreements pertaining to West Germany signed during the past year. He also cited progress in bilateral relations with other West European countries and noted that agreement had been made to hold a European Security Conference. Mazurov made no mention, however, of the related talks on mutual force reductions in Europe.

In his comments on the US, Mazurov said that the summit meeting last May had shown that it is possible to get "tangible, practical solutions to even the most complicated international problems." He somewhat defensively reminded his listeners, however, that the agreements with the US were based on strict observance of equality and were not reached at the expense of any other state.

On Vietnam, Mazurov pledged the Soviet Union's continuing support for its allies. He endorsed Hanoi's statement of 26 October calling for the US to sign the agreement worked out in Paris. Mazurov did not directly criticize the US for failing to sign the agreement on 31 October, however, and called instead for signature "as soon as possible."

Mazurov's comments on China show that Moscow perceives less forward movement here than in any other area of its foreign policy. He said that the Soviet Union is still trying to improve relations with Peking, that there was evidence of change in Chinese foreign policy, but that it was still based

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on anti-Sovietism and aimed at splitting the international Communist movement. Mazurov made no mention of the border talks with Peking, now stalled in their fourth year. The Chinese ambassador walked out of Mazurov's speech in protest. [redacted]

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7 Nov 72

*Central Intelligence Bulletin*

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Approved For Release 2003/10/22 : CIA-RDP79T00975A023100090001-5

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Approved For Release 2003/10/22 : CIA-RDP79T00975A023100090001-5

UK: Heath's imposition of a 90-day freeze on wages and prices came after months of effort to reach a voluntary anti-inflationary pact with industry and labor leaders.

Talks broke down last week when union leaders refused to accept the latest government proposals on pay and prices, claiming the proposals were too vague and did not provide the necessary guarantees, especially on food prices. Heath has been very reluctant to impose statutory controls and, in his speech yesterday, stressed that he still hoped for some sort of voluntary agreement. The freeze, which is still subject to parliamentary approval, covers rents and dividends as well as wages and prices, and may be extended for an additional 60 days. Opposition Labor members of parliament greeted Heath's announcement with derision, and Labor leader Wilson said his party would oppose granting emergency powers to the government to carry out the freeze.

Public reaction probably will be generally favorable because the controls will provide relief from the continuing rise in consumer prices and the declining value of savings. Business leaders, who had been cooperating with the government on voluntary price restrictions, regard controls as a step toward putting the economy in order before Britain enters the EC in January. A representative of the powerful Confederation of British Industry, however, commented last week that wage and price controls should provide for orderly increases and should not block all demands.

The success of the move will depend on labor's reaction. The refusal of left-wing leaders who attended the tripartite talks to compromise may be a harbinger of a negative attitude. The real test will not come until early next year when the miners' contract expires. The miners' strike and settlement

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last year shattered the government's anti-inflationary wage policy and posed a severe challenge to the government. The power workers reached an agreement last week calling for a wage increase of three pounds per week--a sum higher than the government had advocated in its voluntary proposals but in line with productivity advances in the industry.

Sterling strengthened with news of the freeze and closed Monday at \$2.3570--up over a full cent from Friday. Much of the recent pressure on the pound resulted from lack of progress in the government's attempts to obtain voluntary wage and price restraints. Now that definite measures have been taken, this pressure will be alleviated. Any movement in the pound's price, however, will depend largely on the degree to which the freeze is successfully implemented without costly strikes and slowdowns.

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UGANDA: President Amin probably will turn to the UK as his next scapegoat.

Last weekend Amin, who has labeled his expulsion of the Israelis and the Asians as "part of an economic war" designed to put the economy in Ugandan hands, publicly announced that his next step will be "aimed against the British." The president has maintained a steady stream of charges against the British Government and its citizens living in Uganda. Last month he accused some British businessmen of spying, and British residences in western Uganda have since been thoroughly searched by Ugandan security forces. Amin has tempered his remarks by saying that he "intends to remain friendly to the British," [redacted]

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Meanwhile, all expelled Asians, except for some who are stateless, probably will be out of Uganda by the president's deadline tomorrow. The approximately 35,000 Asians destined for the UK, India, Pakistan, and Bangladesh have either departed or will have done so by the deadline. Several thousand stateless Asians have left for the US, Canada, and other countries, but about 1,200 may remain after the deadline along with a few thousand Asians with Ugandan citizenship and others exempted from the expulsion order because they possess certain skills.

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EAST GERMANY: Britain and France are laying the groundwork for recognizing the German Democratic Republic.

London last week proposed to Washington that the Berlin missions of the three Western allies begin preliminary coordination of views on procedures for recognition. The British have suggested that such issues as embassy locations and property and restitution claims stemming from World War II be discussed in advance of bilateral approaches to Pankow.

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The British and French--like the Scandinavian countries that are already on the brink--have awaited the completion of current inter-German political negotiations and the subsequent lifting of West German objections before approaching Pankow directly. Barring any last minute hitch in Bonn's rapprochement with East Germany, there are no major stumbling blocks to Western recognition. If West German Chancellor Willy Brandt fails to be re-elected--a distinct possibility--or should progress on UN membership for the two Germanies be inordinately delayed, serious differences of opinion on timing could arise. Some Scandinavian states may be tempted to proceed with recognition without regard for Bonn's wishes.

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TURKEY: The decision of the Republican People's Party (RPP) to withdraw its support for the government of Prime Minister Melen appears unlikely to cause a political crisis.

Turkey's top military leaders, who met yesterday, apparently decided not to intervene directly, despite the RPP action. Prime Minister Melen will decide whether to resign within several days, probably after further consultations with military leaders. A decision to step down now seems unlikely. He still has adequate parliamentary support, and most Turkish leaders seem reluctant to precipitate another cabinet turnover, despite the military's continued unhappiness with the slow pace of reforms. Even RPP leader Ecevit stated that his party's withdrawal from the government over the five-year development plan need not cause a political crisis and promised cooperation on reform legislation.

In the short run, at least, the RPP's decision is likely to damage the party itself more than the government. Twenty-six of the RPP's 152 members of parliament had resigned in protest from the party by early yesterday, including four of the five RPP cabinet members. Fourteen others may follow suit. Ismet Inonu, Turkey's elder statesman who was ousted from the RPP leadership by Ecevit last spring, has also resigned from the party and reportedly would like to succeed President Sunay when his term expires in March. Ten RPP members left the party earlier this year in protest against Ecevit's move to the left and formed the Republican Party. At least some of the latest defectors may join the new party. [redacted]

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NOTE

*L* NATO: West Germany, Britain, Belgium, and the Netherlands are planning a joint offer to purchase the Lance missile system from the US. Lance is intended as a replacement for the Sergeant and Honest John tactical missiles. The project follows the agreement last May of Eurogroup--the European NATO members except France, Portugal, and Iceland--to coordinate procurement and production of weapons systems. The proposed purchase will be presented for decision to the four defense ministers during the Eurogroup ministerial meeting on 5 December. In the interim, the British will approach the US to seek an offer based on a collective purchase. The US has already offered Lance bilaterally to the allies, but the NATO representatives of the four hope that their governments can win better terms through a collective deal. They also would like this pilot project to demonstrate the benefits to both the US and Europe of Eurogroup joint procurement undertakings.

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